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Turkey

Livestock and Products Annual

Turkey Livestock and Products Annual

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Report Highlights:
Livestock numbers and red meat prices have been a critical issue for the current administration of the Turkish Ministry of Food, Agriculture and Livestock (MinFAL) as they try to address the public's concern for high red meat prices and their impact on food inflation, which has been exacerbated by the devaluation of the Turkish Lira against the Dollar and Euro. High feed prices continued to drive the costs of beef up. New import policies favor government-affiliated importers over the private sector.

Turkey Livestock and Products Annual Executive Summary:

According to the Turkish Statistical Institute (TurkSTAT) and Ministry of Food, Agriculture and Livestock (MinFAL), the national cattle herd is calculated at 14.1 million head in 2015 (including buffalo) which is 1.5 percent lower than the previous year. Milking cow population decreased 1.5 percent and slaughtered animals increased 1.4 percent in 2015, compared to 2014. Cattle population is composed of mostly pure and cross-bred breeds. Local breed cattle population went down to 1.9 million head in 2015 because of the government subsidy policies encouraging use of pure and cross-breed animals especially dual-purpose breeds (e.g. Simmental for dairy/meat). With the new government incentives to improve calf production, calf losses are forecasted to decline in 2016 and 2017. Cattle population is expected slightly to grow in 2017 however carcass weight would be stagnate because of continuous higher feed prices.

Total cattle import in 2017 is forecasted to increase slightly after it goes up by double in 2016. Breeding cattle imports are likely to remain stable in 2016 and 2017, however, import of feeder cattle is forecasted to double in 2016 and slightly increase in 2017.

With the Council of Ministers` decision published on May 3, 2016, zero percent custom tax will be implemented to the government affiliated bodies of the General Directorate of Agricultural Establishments (TIGEM) and Meat and Milk Board (ESK) for importing of breeding and feeder cattle. It covers 150,000 head of breeding cattle, 400,000 head feeder cattle and 20,000 head of small ruminants.
While red meat consumption including pork meat is around 60 kg in EU countries, red meat consumption per capita in Turkey is estimated 13.7 kg in 2015 and beef has a 90 percent share, with the rest provided by domestic breeds of sheep and goat. Since pork is not consumed in Turkey, red meat demand is met by beef and lamb.

Commodities:

Animal Numbers, Cattle

Production:

With the incentive to calves; calf losses are forecasted to decline in 2016 and continue in 2017. Cattle population is expected to grow slightly in 2017 however carcass weight would be stagnate because of continuously higher feed prices.

According to the Turkish Statistical Institute (TurkSTAT) and Ministry of Food, Agriculture and Livestock (MinFAL) national cattle herd is calculated 14.1 million head in 2015 (including buffalo) which is 1.5 percent lower than the previous year. Milking cow population decreased 1.5 percent and slaughtered animals increased 1.4 percent in 2015, compared to 2014. Calf production has been unsteady since 2008 and still there has been shortage of calf population, especially in feeder calves. Cow numbers in total decreased 14 percent in 2015, compared to 2014, because of the milk crisis – where low milk prices and high meat prices led to increased slaughter of dairy cattle. Additionally, MinFAL has reduced ‘value added taxes’ (VAT) for feed and fertilizer in 2016 for farmers from 18 percent to zero percent. Farmers were keen on this implementation, however despite the removal of VAT, the prices of fertilizer and feed have remained the same - there are many stakeholders within the market chain of feed and fertilizer and they haven’t reduced prices for farmers. For this reason, the sector believes that the removal of VATs would not be effective to increase the cattle inventory in 2016 and 2017 either. For further updated information, please see GAIN report date: 5/4/2016 No: TR6024 or here.

Cattle population is composed of mostly pure and cross-bred breeds, as opposed to local breeds. Local breed cattle population went down to 1.9 million head in 2015 because of the government subsidies policies favoring pure and cross-bred breeds, especially dual-purpose breeds (e.g. Simmental for dairy/meat). Since 2008, MinFAL subsidies for livestock have also been supportive for producers: the subsidies for calves are increased while the subsidies for dams are removed with MinFAL`s 2016 livestock subsidies program. For further updated information, please see GAIN report date: 7/26/2016 No: TR6031 or here. Recently Government of Turkey (GOT) has decided to subsidize breeding heifers in order to keep meat prices down by supplying enough feeder cattle material into domestic market. According to this additional decision, a subsidy will be granted to investors who want to build a facility with 500 or more head of animal or to farmers who want to expand their facility. Fifty percent of investment value will be separately granted for maintenance, and animal and equipment purchasing. The decision will be implemented in order to supply breeding material from domestic market to farmers instead of import channel. In order to benefit from the subsidy, farmers need to be a member of Cattle Breeders' Association of Turkey (CBAT) and to be registered Turkish Veterinary Information System (TURKVET).

Higher feed prices and shortage of feed production continue contributing to higher production costs across the production chain and elevated beef prices. The sector believes that the government should support establishing feeder cattle production centers to increase domestic supply of feeder cattle with lower feeder cattle prices. Average pure breed cattle price (avg. of beef and dairy) has increased to 4,134 TL ($1,410 USD) in 2015 which is a 22 percent increase when compared with the previous year.

Trade:

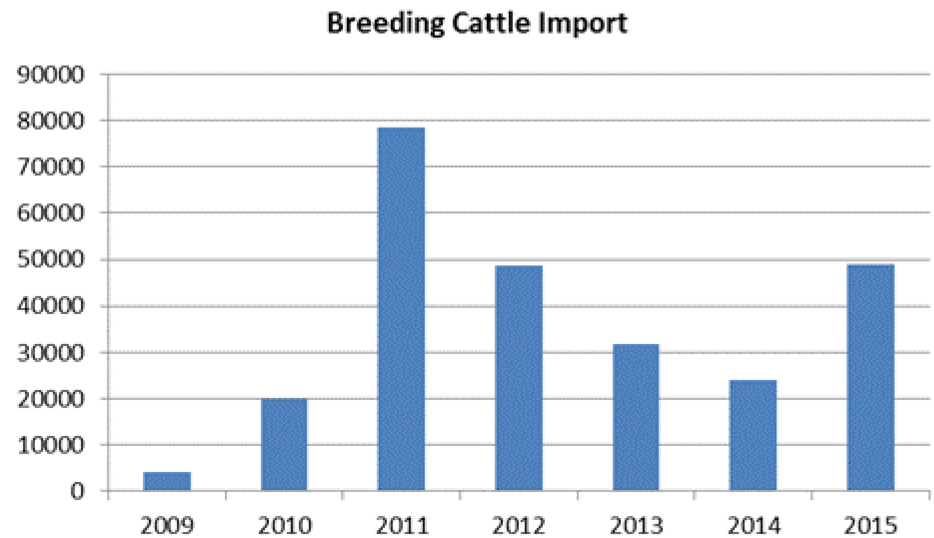
Total cattle import in 2017 is forecasted to increase slightly after it increased by double in 2016. Breeding cattle imports are likely to remain stable in 2016 and 2017. However, import of feeder cattle is forecasted to double in 2016 and is expected to slightly increase in 2017. Regarding feeder cattle import, producers are keen for this to continue and support MinFAL to continue its policy. The sector believes that meat prices would be able to be kept under control with continuous feeder cattle import.

Turkey is one of the biggest live cattle importing countries. The United States, Australia and Uruguay were the main suppliers of live dairy breeding cattle to Turkey before 2010 since EU countries could not export live cattle due to BSE problems. After June 2010 though, Turkey allowed live cattle imports from all countries with negligible and controlled BSE status countries according to the World Organization of Animal Health (OIE). From then on, European Union countries and Uruguay have been the main suppliers of dairy and feeder cattle.

Holstein is the major breeding cattle variety being imported mostly from Germany, Austria and Czech Republic. However due to demand from producers, it is expected that cross-breeds of Holstein will be imported since producers are interested in improving different traits (strong feet and legs, etc) other than just milk production as they had in the past.

Since 2011, imports of breeding cattle from the U.S have been decreasing, although recently in 2016 the U.S. cattle prices have fallen. Because of high prices of the U.S. breeding stock, partnered with a strong dollar, the U.S. was not able to be competitive compared to EU and South American countries' prices in recent years.

Figure 1. Dairy Breeding Cattle Import, 2009-2015



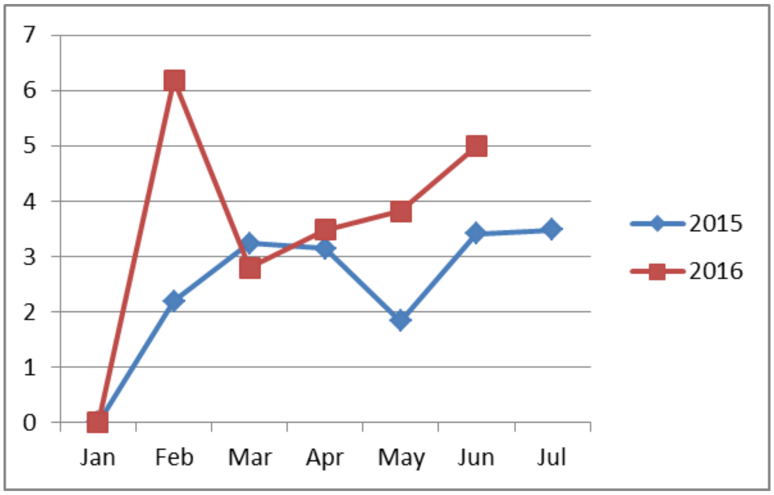
Source: Turkish Statistical Institute (TurkSTAT), 2016

Chart 1. Turkey's Live Breeding Cattle Imports by Head from 2014-2016

Partner Country	**Quantity**	
	2014	**2015**
Austria	6,829	8,938
Hungary	61	872
United States	8,587	3,778
Germany	6,371	22,426
Slovakia	193	2,316
Czech Republic	1,007	4,748
Latvia	-	172
Estonia	497	1,389
Italy	31 +358 (buffalo)	2,236 +288 (buffalo)
Netherlands	100	130
Uruguay	-	472
France	-	1,118

Source: Turkish Statistical Institute (TurkSTAT), 2016

Figure 2. Breeding Cattle Import, Jan.-Jul. 2015 vs 2016, month by month comparison (1000 Head)



Source: Turkish Statistical Institute (TurkSTAT), 2016

With the Council of Ministers' decision published on May 3, 2016, zero percent custom tax will be implemented to the government-affiliated bodies of the General Directorate of Agricultural Establishments (TIGEM) and Meat and Milk Board (ESK) for importing of breeding and feeder cattle. It covers 150,000 head of breeding cattle, 400,000 head feeder cattle and 20,000 head of small ruminants. This policy will be covering the years from 2016 to 2018. Imported cattle and sheep will be sold to farmers from the farms of General Directorate of Agricultural Establishments or will be granted to young farmers within the scope of new subsidy program for young farmers in Turkey. For further information, please see GAIN report date: 4/27/2016 No: TR6021 here.

Within scope of abovementioned decision, ESK has recently chosen 50,000 head of feeder cattle from Uruguay with the price of $3.58 per live kilo, which they announced was more affordable when compared with Brazil`s offer. According to ESK, animals will be in Turkey by October 2016 and purchasing will be continued for the coming years.

Turkey imported 154,194 head of feeder cattle in 2015. In 2016, MinFAL representatives visited and negotiated with South American countries and made initial arrangements with Chile for feeder cattle import. They had planned on visiting the United States as well, but cancelled their visit.

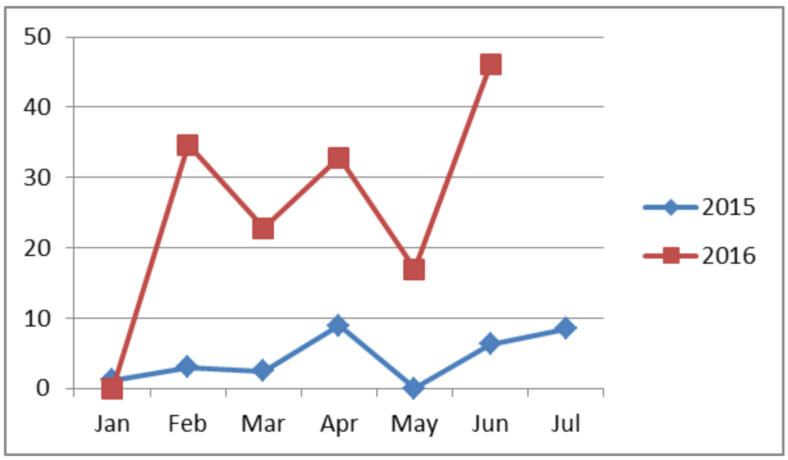
Chart 2. Turkey's Feeder Cattle Imports by Head from 2014-2015

Partner Country	**Quantity**	
	2014	**2015**
Austria	4,459	2,138
Greece	209	-
Hungary	9,837	14,652
Belgium	-	144
Bulgaria	-	-
France	-	50,657
Slovakia	4,486	6,538
Czech Republic	4,270	8,791
Latvia	1,577	2,525

Lithuania	389	210
Estonia	811	3,138
Italy	-	31
Australia	-	1,107
Uruguay	-	64,263
Chili	-	-
Brazil	-	-
United States	-	-

Source: Turkish Statistical Institute (TurkSTAT), 2016

Figure 3. Feeder Cattle Import, Jan.-Jul. 2015 vs 2016, month by month (1000 Head)



Customs taxes:

Zero percent custom tax is implemented for the government affiliated bodies of General Directorate of Agricultural Establishments (TIGEM) and Meat and Milk Board (ESK) imports. This is valid for breeding, feeder and slaughtering cattle imports. Slaughtering cattle imports are not allowed to private sector in order to protect domestic production. While zero percent custom tax was implemented for government import, Ministry of Economy implemented 7.8 percent custom tax for private sector. However with the new decision of Ministry of Economy, the custom tax of breeding cattle imports for private sector has now been reduced to zero percent.

Chart 3. 2016 Turkish Custom Duties of Live Animals Imports

	For government	**For private sector**
Dairy Breeding Cattle	0%	0%
Feeder Cattle	0%	60%
Slaughtering Cattle	0%	135%

Production, Supply and Demand Data Statistics:

Animal Numbers,	2015	2016	2017

Cattle						
Market Begin Year	Jan 2015		Jan 2016		Jan 2017	
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Total Cattle Beg. Stks	0	14345	0	14127	0	14047
Dairy Cows Beg. Stocks	0	5621	0	5598	0	5600
Beef Cows Beg. Stocks	0	1950	0	1900	0	1900
Production (Calf Crop)	0	3418	0	3500	0	3700
Total Imports	0	203	0	400	0	490
Total Supply	0	17966	0	18027	0	18237
Total Exports	0	0	0	0	0	0
Cow Slaughter	0	301	0	310	0	350
Calf Slaughter	0	1129	0	1200	0	1300
Other Slaughter	0	2381	0	2440	0	2600
Total Slaughter	0	3811	0	3950	0	4250
Loss	0	28	0	30	0	30
Ending Inventories	0	14127	0	14047	0	13957
Total Distribution	0	17966	0	18027	0	18237
Post Notes	(1000 HEAD)					

Commodities:

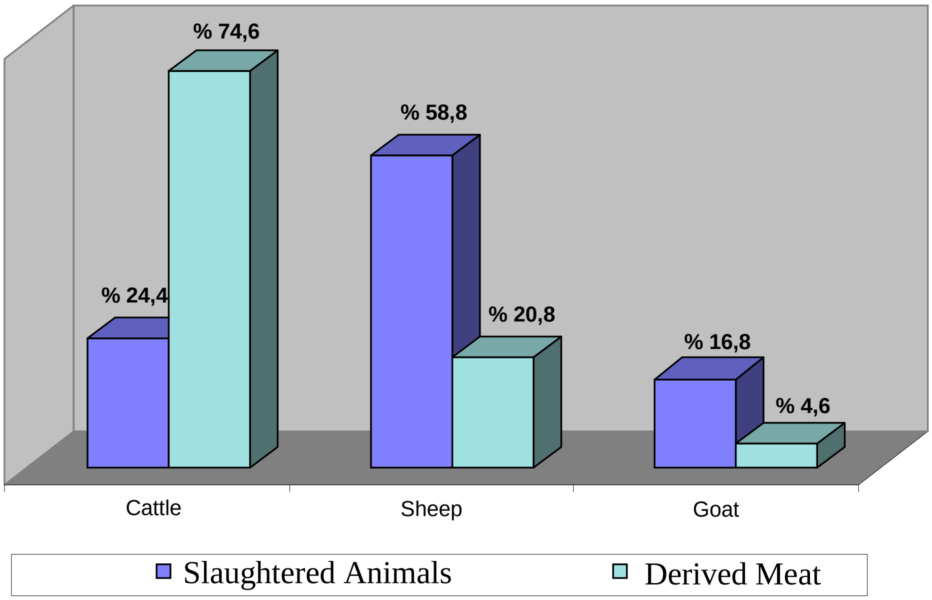
Meat, Beef and Veal

Production:

Production of beef is expected to increase by 13 percent in 2016 compared to 2015. The same level increase in 2017 is expected since carcass weight has not able to be increased because of continuous higher feed prices and production costs. In 2015, beef production (including buffalo) amounted to 1.1 million tons which is 14 percent higher than 2014.

The share of beef in Turkey is 75 percent of total red meat production, with the rest provided by domestic breeds of sheep and goat. The most common breeds of cattle are Holstein, Simmental, purebred beef cattle, as well as purebred beef cross bred with domestic cattle. Beef cattle population is intensive in East Anatolia Region (Turkey’s Far East) and supplies approximately 80 percent of the domestically-produced feeder cattle which are then sent to other regions for rearing and finishing.

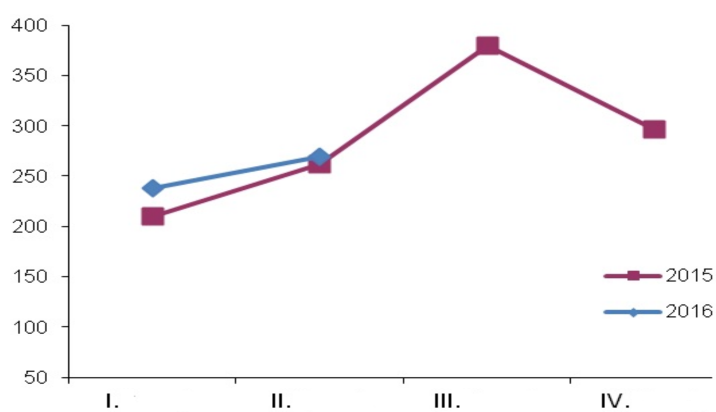
Figure 4. Slaughtered animals and produced red meat shares within total slaughter in 2015



Source: Turkish Statistical Institute (TurkSTAT), 2016

As can be seen in Figure 2, vast majority of red meat consumed is from cattle, though the majority of animals slaughtered are sheep.

Figure 5. Red Meat Production Comparison 2015-2016 with Quarters (Thousand MT)



Source: Turkish Statistical Institute (TurkSTAT), August 2016

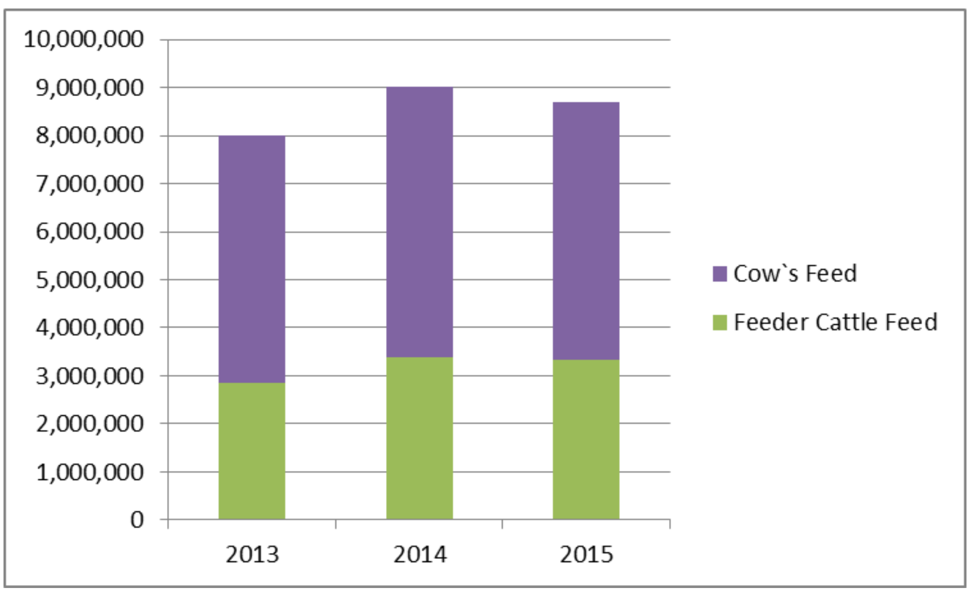
Two important factors adversely impact beef production: high prices of feeder cattle young stock (50-60 percent share of total cost) and high feed costs (25-40 percent share of total cost). Compound feed costs have been increasing since 40-45 percent of compound feed depends on imported feed raw materials. Imports of feed materials to Turkey are complicated by Turkey's biosafety law and the slow approval for GE-crops for feed use in Turkey, which can hold up shipments and increase costs and risks for importers. Turkey needs around 15 MMT of compound feed for dairy cow feeding while the production was around 9 MMT in 2015. For last 10 years, there has also been limited production of forage crops and oilseeds.

Chart 4. Compound Feed Production in Turkey, 2013-2016* (tons)

Year	Broiler Feed	Laying Hens Feed	Feeder Cattle Feed	Cow`s Feed	Others	Total
2013	4.083.687	1.602.364	2.846.217	5.163.788	2.265.811	15.961.867
2014	3.979.945	2.480.547	3.386.565	5.621.664	2.534.895	18.003.616
2015	4.779.916	3.417.209	3.320.221	5.384.586	3.203.051	20.104.983
2016*	1.881.132	997.905	1.584.294	2.260.333	1.314.911	8.038.575

Source: DG of Food and Control, 2016, * shows the data until June

Figure 6. Cow feed production, 2013-2015 (MT)



In order to supply enough quantity of meat to the domestic market, the sector needs to produce around 1.5 million tons per year.

Consumption:

Rising household income has increased the demand for protein-based food in Turkey for many years. There has been meat supply deficiency in Turkey. While red meat consumption (including pork meat) is around 60 kg in EU countries, red meat consumption per capita in Turkey is estimated at 13.7 kg in 2015 – of this beef has a 90 percent share. Since pork meat is not consumed in Turkey, red meat needs are met by beef and sheep meat. Broiler meat consumption has a 60 percent share of the total consumed meat in Turkey. However, lamb consumption is quite small, and MinFAL believes that there is a need to encourage the public to consumer more lamb.

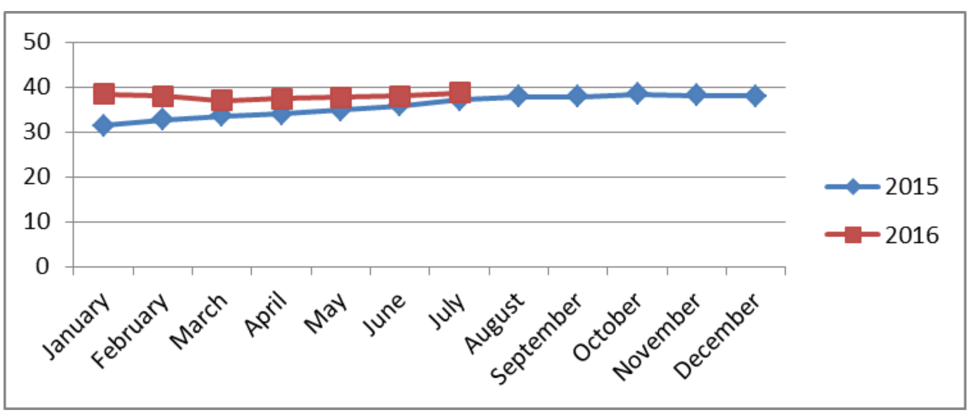
Trade:

Total beef import in 2017 is forecasted to remain the same as in 2016. Turkey imported 25 thousand CWT beef (carcass and boneless) in 2015 and it is also expected to remain the same in 2016. Beef imports are considered MinFAL's additional measure to reduce beef prices in Turkey. For many years, Turkey banned meat, poultry, and slaughter and feeder cattle imports. However, since 2010, tight supplies due to drought and poor management have led to the Government occasionally and temporarily opening the market for meat as well as feeder and slaughter cattle. For detailed information of meat prices/ imports situation history, please see GAIN report date: 11/16/2015 No: TR5043 here.

With the Council of Ministers' decision published on 4/8/2016, only ESK has been granted the right to import 15,000 MT (product weight) of meat (HS code 0201) with zero percent customs tax by December 31, 2016, though this did not include any information on which countries this meat can be sourced from.

In August of this year, ESK just opened another tender from EU countries and Bosnia and Herzegovina for 5,000 MT (product weight). ESK sells those imported beef (as carcass to wholesalers or as processed meat to final customers) from its franchising markets in Turkey.
Although there has not been any written restriction by the government per se for the private sector to import meat, the custom tax implemented is 100 percent, which has proved prohibitive because meat imported with this tax would not be competitive in the market.

Figure 7. Beef Prices in Turkey (Turkish Lira/Kilo)



Source: Turkish Statistical Institute (TurkSTAT), August 2016; *Price Fluctuation from 2009 to 2015 is shown in* GAIN report date: 11/16/2015 No: TR5043 or here. *(Note: $1 = 2.9 TL as of August 15, 2015).*

Chart 5. Turkey's Beef Imports (MT) from 2014-2016

Partner Country	Quantity		
	2014	2015	2016*
France	41	-	-
Germany	40	-	-
Poland	40	8,800	-
Bosnia and Herzegovina	520(HS:020230) 261(HS:160250)	2,410 6,400(HS:020230) 520(HS:160250)	1,000 353(HS:160250)
TOTAL	902	18,130	1,353*

Source: Turkish Statistical Institute (TurkSTAT), 2016; ***** January-March data is shown

Production, Supply and Demand Data Statistics:

Meat, Beef and Veal	2015		2016		2017		
Market Begin Year	Jan 2015		Jan 2016		Jan 2017		
Turkey	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	
							(Units)
Slaughter (Reference)	0	3811	0	3950	0	4250	(1000 HEAD)
Beginning Stocks	0	32	0	23	0	30	(1000 MT CWE)
Production	0	1423	0	1587	0	1630	(1000 MT CWE)
Total Imports	0	25	0	40	0	45	(1000 MT CWE)
Total Supply	0	1480	0	1650	0	1705	(1000 MT CWE)
Total Exports	0	0	0	0	0	0	(1000 MT CWE)
Human Dom. Consumption	0	1457	0	1620	0	1650	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
Total Dom. Consumption	0	1457	0	1620	0	1650	(1000 MT CWE)
Ending Stocks	0	23	0	30	0	55	(1000 MT CWE)
Total Distribution	0	1480	0	1650	0	1705	(1000 MT CWE)